

**Core Management and Budget Skills
for Indonesian Local Governments**

**Quarterly Report
January 1, 2003 – March 31, 2003**

Prepared for
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**“Building Institutions for Good Governance”
Core Management and Budget Skills for Indonesian Local Governments**

USAID Quarterly Report No. 10

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I. Introduction

The International City/County Management Association's (ICMA) Building Institutions for Good Governance (BIGG) Program operates under USAID Strategic Objective 10: Decentralized, Participatory Local Government. To this end, it is designed to help USAID meet its four intermediate results (IRs):

- IR 1: Appropriate Environment Established to Enable Effective Local Government
- IR 2: Local Government Capacity Strengthened to Deliver Effective Services
- IR 3: Participation Increased in Local Government Decision-Making
- IR 4: Associations of Local Governments and Officials Established as Advocates

The implementation of the "Core Management and Budget Skills for Indonesian Local Governments" Task Order began on September 30, 2000. This report covers the period January through March 2003 (Quarter 10) and covers the major accomplishments and challenges for the tenth quarter along with the planned activities for the eleventh quarter.

Quarter 10 marks the start of the 16-month extension, which is characterized by an increased focus on sustainability and transference of skills to host country nationals. BIGG/ICMA submitted a draft of BIGG's workplan and timeline to USAID. Pending submission of the final workplan and USAID's approval, a monitoring and evaluation matrix will be prepared and submitted to USAID. This monitoring and evaluation matrix will be included in all future quarterly reports as has been done in the past.

Following the Bali bombing in early October, the U.S. State Department declared an ordered/mandatory evacuation of non-essential U.S. personnel. The evacuation continued throughout Quarter 10. BIGG/ICMA has used innovative solutions to continue building on the progress over the past two years and reduce the potential negative effects of the ongoing ordered/mandatory evacuation. ICMA appointed Ed Anderson the Acting Country Director and Sharon Lumbantobing as the Acting Chief of Party for the Task Order. The municipal finance advisors, Kay Spearman and Paul Young, have been working with Geoff Swenson at ICMA's headquarters in Washington, DC for short-term periods. Geoff Swenson and Kay Spearman continued to guide the project and keep in touch with the project staff through regular e-mails, including instant messaging, and weekly conference call meetings with the field office technical staff.

During the month of February, the USAID Mission allowed a temporary duty assignment of three weeks each for Geoffrey Swenson and Kay Spearman, who returned to work in Indonesia. The temporary return of Geoffrey Swenson allowed him one full week in Jakarta to work on BIGG and seven days in Papua to conduct a feasibility study for possible extension of BIGG's technical assistance with USAID assistance. Kay Spearman spent three weeks in Jakarta, which allowed her to participate in important planning meetings with BIGG staff, local government association staff, BIGG's technical advisory committee, and a donor coordination group on local government budget and financial management. She also drafted the text for the workplan and timeline for the 16-month extension on this TDY.

In Quarter 10, BIGG/ICMA conducted the following activities:

- Finalized assessment evaluations of Y1 and Y2 program deliverables, including some of the performance-based budgets for the selected focused area(s).
- Drafted the work plan and timeline for 16-month extension.
- Extended contracts and Scopes of Work with CCN staff (Jakarta staff and Local Coordinators) through the end of April 2003.
- Secured letters of agreement with two local government associations (APEKSI and APKASI) for one association intern from each association to serve full-time on BIGG's Training Team.
- Prepared a local government assessment report to evaluate the impact of BIGG's program on the budget and finance activities of the 18 LGUs that participated in the first two years of the program and recommend six candidates for continued participation in the program as Core LGUs.
- Identified potential candidates for the Satellite LGUs.
- Prepared new MOUs and work plans for the six Core Local Governments (Kota/Kabupaten Inti) and 12 Satellite Local Governments (Kota/Kabupaten Satelit).
- Secured six letters of interest from candidate local governments for the Core LGU program (Kota/Kabupaten Inti).
- Prepared contracts for two staff from each Core LGU to participate up to 60 hours a month in the K2K program.
- Drafted letters of agreement for staff from the Ministry of Home Affairs and Ministry of Finance to participate in BIGG's training pool.
- Drafted MOUs for university staff to participate in BIGG's training pool.
- Prepared the "Citizen's Guide to the Budgeting" for publication.
- Prepared Terms of Reference for numerous upcoming training events, such as the national and regional conferences, Special Core LGU meeting, workshop series A for Core and Satellite LGUs.
- Finalized and distributed English documentation of all Year One and Year Two training events to USAID and ICMA.
- Conducted a seven-day field assessment to Papua to assess the willingness and interest of Kabupaten Sorong and Fakfak to participate in a possible USAID-funded extension of the BIGG program to Papua.

II. Major Accomplishments

Field Operations

Socialization Workshops:

BIGG/ICMA conducted three more socialization workshops in Kabupaten Padang Panjang, Kabupaten Gowa, and Kabupaten Bulukumba in January. These eight cities received funding support from BIGG/ICMA for a 2-3 day socialization workshop for 200-300 participants in each LGU. In addition, ten other LGUs that participated in BIGG conducted their own citywide socialization of performance budgeting so without financial support from BIGG.

Program Deliverables:

BIGG requested the LGUs to resubmit their four program deliverables as follows: 1) the latest version of the LGUs' budget instructions based on Ministry of Home Affairs Decree No. 29/2002 or KepMen 29/2002); 2) the revised budget proposal forms (RASK forms) for the focus areas; 3) the public hearing announcement; and 4) the draft proposed budget (RAPBD) following a performance-based approach. By the end of March 2003, all 17 LGUs that participated in BIGG during the period October 2002 to January 2003 had submitted their four revised program deliverables. Kabupaten Bogor did not sign an MOU with BIGG/ICMA to participate during this five month period due to time constraints on their staff.

Evaluation and Assessment of Program Deliverables:

Short-term Advisor Paul Young and the Team Leaders began the intensive process of assessing the performance budgets of the 18 LGUs that participated in the program, including Kabupaten Bogor. At the end of March 2003, the assessment process was completed for Sukoharjo, Balikpapan, Samarinda, Kediri, Jember, and Bukittinggi. All others are still in process and are scheduled to be completed in Quarter 11.

There are two steps in the performance budget assessment process. The Senior Municipal Finance Specialist performs the first step in conducting the assessments that includes analyzing how well the work unit defined their performance items (vision statement, mission statement, goals, objectives, programs, activities, performance measures and performance targets); how well the work unit related each of the performance items; and provided examples of where the assessment criteria was not met. The Senior Municipal Finance Specialist then reviewed the results of the assessments with the Team Leaders.

Based on the examples and comments provided in step one, in step two, the Team Leaders provide missing information and create local examples that are more appropriate to the Indonesian context and specific to the focus area. Then these local examples are reviewed by the Senior Municipal Financial Specialist and further revised, if necessary. An assessment is complete when there are no more outstanding issues. In Quarter 11, the Team Leaders and Senior Municipal Financial Specialist will meet with the local governments to review the results of the performance budget assessments. This input will be used by the LGUs as the basis for preparing and improving their 2004 performance budgets.

Preparation for K2K Program:

In Quarter 10, the Field Operations Team assisted in the establishment of selection criteria and preparation of the LGU Assessment Report that contained recommendations of candidates for the Core LGUs (Kota/Kabupaten Inti) for USAID and Ministry of Finance approval. The six LGUs nominated as Kota/Kabupaten Inti are Kota Bukittinggi, Kota Bogor, Kabupaten Pati, Kabupaten Sukoharjo, Kota Samarinda, and Kabupaten Gowa, with Kabupaten Sleman recommended as a special project on integrating performance budgeting and accounting. The team leaders traveled to the field to introduce the features of the new BIGG Program to the LGUs nominated as Kota/Kabupaten Inti and secured letters of interest from them. The Team Leaders also drafted a list of recommendations for LGUs to participate as Kota/Kabupaten Satellite.

Nominees of Core and Satellite LGUs

Core Cities	Satellite Cities Candidate
1. Kota Bukittinggi	1. Kota Solok
	2. Kabupaten Tanah Datar
	3. Kabupaten Pasaman
	4. Kabupaten Limapuluh Koto
2. Kota Bogor	1. Kota Sukabumi
	2. Kota Kerawang
	3. Kota Cianjur
	4. Kota Purwakarta
3. Kabupaten Sukoharjo	1. Kabupaten Wonogiri
	2. Kota Klaten
	3. Kabupaten Sragen
	4. Kabupaten Boyolali
4. Kabupaten Pati	1. Kabupaten Kudus
	2. Kabupaten Grobogan
	3. Kabupaten Rembang
	4. Kabupaten Jepara
5. Kota Samarinda	1. Kota Bontang
	2. Kabupaten Kutai Timur
	3. Kabupaten Panajam Paser Utara
	4. Kabupaten Kutai Kertanegara
6. Kabupaten Gowa	1. Kabupaten Sidrap
	2. Kabupaten Bantaeng
	3. Kabupaten Pangkep
	4. Kabupaten Maros

The Field Operations and Training Team cooperated in the preparation of new Memorandum of Understanding (MOUs) and work plans for the six core and twelve satellite local governments that will participate in the Kota to Kabupaten (K2K) program. The primary new features of these MOUs are as follows:

- Core LGUs (Inti) will share information and experience related to preparing performance budgets with up to two satellite LGUs.
- Core LGUs must commit two of their staff for up to 60 hours per month to assist the satellite LGUs with their performance budget preparation, including attending BIGG/ICMA sponsored training events.
- Core LGUs must choose one of the following focus areas: transportation, health, or public works.
- The satellite LGUs must agree to work on the same focus area that their Core LGU selected.
- There will be four BIGG/ICMA sponsored information sharing meetings for the Core and Satellite LGUs.
- BIGG/ICMA will provide the Core and Satellite LGUs with terms of reference and samples of the four program deliverables.
- BIGG/ICMA will assist in the evaluation and timely feedback of all four program deliverables.
- The period of the MOU will start from April 2003 to May 2004.

Chief of Party Geoffrey Swenson and Director of Field Operations Irianto traveled to the Bird's Head Region of Papua to initiate BIGG program's activities there. During their trip, Mr. Swenson and Irianto had the following objectives: meet with officials in Kabupaten Sorong and Fakfak to determine their willingness and interest in the BIGG program; receive an orientation provided for the selected USAID projects that will work in the Bird's Head region under the USAID British - Petroleum (BP) Global Development Alliance (GDA); and develop working relationships with the other USAID projects for overall coordination and implementation of USAID/BP's program. Mr. Swenson and Irianto will do a follow-up trip during the next quarter. Some of the activities that they will focus on during their second trip include the following: make initial contact with Kabupaten Manokwari since this was not accomplished during the initial visit; follow up with Kabupaten Sorong and Fak-fak to collect additional information; and recruit the Local Coordinators for each kabupaten. In addition to trip-related activities, BIGG will need to determine whether or not it will have a regional office in Papua; draft MOUS for participating LGUs; attend coordination meetings that involve all USAID projects who will receive funding through the GDA instrument; and develop a detailed assessment work plan for BIGG's activities in Papua. Mr. Swenson wrote and submitted a trip report describing the initial assessment mission to Papua. This report was submitted under separate cover in March.

Training and Publications

The USAID mission allowed a temporary duty assignment for Kay Spearman, Director of Training and Publications, for three weeks in April, enabling her to participate in important planning meetings with BIGG staff and prepare the work plan for the 16-month extension. She participated in a technical advisory committee meeting at the Ministry of Finance, which was critical for introducing the goals and activities described in the work plan to the advisory committee for the first time. Ms. Spearman attended two important donor coordination meetings on local government budget and financial management issues, particularly KepMen 29/2002 related to performance budgeting, that has critical implications for BIGG. She also attended an introductory meeting with two local government associations (APEKSI and APKASI), which was essential to securing their participation in BIGG and committing one full-time staff person from each association to participate in BIGG's training pool.

In Quarter 10, the training team designed multiple programs and provided intensive contributions to the preparation of the new Work Plan and timeline. Given that several expatriate team members were not able to be in Jakarta during the quarter, the training team participated in the technical advisory committee meeting at the Ministry of Finance and worked in small teams to start drafting Terms of References (TOR) and preparing the logistics for upcoming training events, such as the following: national and regional conferences; the Special Core LGU meeting; and a special workshop on linking performance budgeting to accountability reports. Other activities that the training team contributed to include the following: drafting MOUs for the Core and Satellite LGUs; assisting with the design of the interview questions and conducting interviews with the Team Leaders which formed the basis of the LGU Assessment Report (a report submitted to USAID under separate cover); meeting with the two local government associations (APEKSI and APKASI) to secure signed letters of agreement for one intern from each association to participate as full-time members of BIGG's training team beginning April 1, 2003; and finalizing and distributing English documentation of all Year One and Year Two training events to USAID and ICMA.

The "Citizen's Guide to the Budgeting" was edited and will be published in the next quarter. Producing publications was given a lower priority in this quarter, given other critical reports and documents that needed to be produced, namely the work plan, LGU Assessment Report, MOU for Core and Satellite LGUs, terms of references for all the upcoming training events, and job descriptions for the CCNs.

Administration

From February 28 to March 15, Machyanuarita (Rita), Administration Manager for the Indonesia Task Order/Jakarta Field Office, traveled to Washington, D.C. to work closely with fellow Indonesia Task Order staff along with members of the Contracts staff. Specific focus was given to analyzing Cost Point reports, reviewing the recently approved Task Order budget extension, discussing USAID regulations, renewing and updating Field Office documents, and learning more about the International Department operations.

Staffing: For the period of March 1, 2003 to June 30, 2004, BIGG has the following staffing structure:

Chief of Party	:	Geoffrey Swenson
Executive Secretary	:	Kusuma Wardani
Director Training and Publications	:	Kay Spearman
Deputy Director Training and Publications	:	Sharon Lumbantobing
Training Team:		
Group I:		
Leader	:	Tutiek Rahaju
Trainer	:	Ahmad Riyadi
Logistics	:	TBD
Group II:		
Leader	:	Charles Poluan Jr.
Trainer	:	Teguh M.
Logistics	:	Debby Manusama

Publications/Translations :

Translator 1 : Fitri Handayani
Translator 2 : Ony Jamhari

Director of Field Operations : Irianto
Secretary : TBD
Team Leader 1 : Budi Raharjo
Team Leader 2 : Hernowo M.
Team Leader 3 : Purwida H.
Field Operation Coordinator : M. Husni Thamrin
Sleman Project Coordinator : TBD

Administration Manager : Machyanuarita
Assistant Administration Manager : Paulina Berlian
Accountant : Rebecca W. Renaningtyas
Financial Officer : Naomi S.
IT Specialist : Hartono
Receptionist : TBD
Office Assistant : Supriyono
Office Assistant : Purwanto
Driver : Bambang S.

On March 29, 2003, the following positions were advertised for immediate recruitment: Field Operations secretary, training logistics, and receptionist.

III. Challenges/Issues of Concern Affecting Implementation and Actions Taken

One of the most significant issues of concern is the BIGG program's relationship with the Ministry of Home Affairs, specifically in relation to KepMen 29/2002. The Ministry of Home Affairs Decree No. 29/2002 (KepMendagri No. 29/2002) was issued in June 2002. This decree contains guidelines and forms for local governments to complete as they prepare their performance budgets. BIGG and several other donor agencies and programs have serious concerns about these forms. The Ministry of Home Affairs has conducted limited socialization of the KepMen to all LGUs, but this has not addressed all of the questions and complexity regarding this major transition to performance budgeting.

The Ministry of Home Affairs is scheduled to release a revision of KepMen 29/2002 at some point in the future. BIGG/ICMA has seen early drafts, but these drafts still do not contain account codes for program and activity which we believe are essential components for developing and reporting upon a performance budget. In the absence of these two codes, local governments will not be able to determine the cost of achieving the programs and activities contained in their budgets and will not be able to prepare accurate accountability reports to report on the implementation of their local budgets. Consequently, the local governments are undergoing a painstaking, time-consuming process to produce performance budgets that will have limited value when they try to implement the budget and prepare accountability reports to the legislative branch and the public. BIGG has communicated this to the Ministry of Finance at the March Technical Advisory Committee, which the Ministry of Home Affairs did not attend. In a March meeting with BIGG in March, the Ministry of Home Affairs indicated they did not expect to respond to external suggestions for modifying the KepMen,

but did state that local governments should interpret the KepMen as guidelines and use their own discretion to adapt the KepMen to suit their own conditions.

Kay Spearman, Sharon Lumbantobing and Irianto attended two donor coordination meetings in Quarter 10 on the topic of local government budgeting and finance issues. Several suggestions emerged from the meetings regarding potential coordinated actions that the donor and donor-funded programs could take to promote recommendations for improving the local government budget process. During the course of the 16-month work plan, BIGG will encourage its local government partners to consider ways of improving the implementation of KepMen 29/2002, including requiring participating LGUs to include account codes for program and activity in their proposed budgets.

IV. Projected Activities for the Next Quarter

Finalize the Extension Work Plan.

Field Operations:

- Sign new MOUs and work plans between BIGG/ICMA and the six Core Local Governments (Kota/Kabupaten Inti) and 12 Satellite Local Governments (Kota/Kabupaten Satelit).
- Establish contracts with two staff from each Core LGU.
- Assist the Core and Satellite LGUs establish Technical Teams on performance budgeting.
- Recruit to fill any vacant and new positions (Sleman Project Coordinator, and Local Coordinators).
- Prepare Terms of Reference and samples of the four program deliverables.
- Facilitate a special meeting for the Core and Satellite LGUs.
- Implement Workshop A and the first information sharing workshop in the K2K program.
- Conduct a needs assessment for the proposed Special Project in Kabupaten Sleman.
- Prepare and Sign a new MOU and work plan for Kabupaten Sleman.
- Pending USAID approval, prepare and sign a new MOU and work plan for the Papua Program including Kabupaten Sorong, Fakfak, and Manokwari.
- Review the budget calendar and draft public participation plan submitted by 18 LGUs participating in the K2K program.
- Complete assessment of performance budgets, including summary.

Training and Publications

- Preparation of terms of reference for all training events for the K2K and P2P Training Models.
- Preparation of the Training and Publications Strategy.
- Preparation of needs assessment tool for LGUs in conjunction with associations to be delivered at the six regional conferences.
- Publication and dissemination of the “The Citizens’ Guide to Budgeting.”
- Publication and dissemination of a new BIGG brochure.
- Preparation of a performance-budgeting reference manual.

- Preparation of Terms of References and samples of the four program deliverables: public involvement plan, budget calendar, budget instructions, performance-based budgets.
- Facilitation of Special Meeting for Core LGUs.
- Facilitation of two regional conferences.
- Preparation for the regional conferences in conjunction with the associations.
- Facilitation of the national conference.
- Assistance with the implementation of Workshop Series A for the K2K program.
- Extend contracts with CCN staff.
- Recruit to fill any vacant and new positions.